



MTRB Employer Bulletin

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Please encourage your employees to register online for an upcoming seminar— whether they're retiring in 2006 or in 15 years!

*Members can choose from two programs—***Ready for Retirement** *and* **The Next Chapter**

To the extent that you have the opportunity, please remind your employees that we'll be offering these programs in the coming months, and that this is a prime opportunity for them to get answers to their questions about retirement benefits. We're looking forward to being "out in the field" again and serving our members face-to-face!

Ready for Retirement

Ready for Retirement is specifically for members retiring in 2006—and ***we strongly encourage these educators to attend.*** This free, two-hour program (4–6 p.m.) will be presented at various locations around the Commonwealth. You might also want to consider attending to hear more about what members can expect this year.

Topics include: the retirement application process and downloadable retirement application; retirement benefits under the regular and RetirementPlus formulas; purchasing credit for past service; and, various post-retirement issues.

- **TAUNTON**, Monday February 27,
Taunton High School Auditorium
- **HOLYOKE**, Tuesday February 28,
Holyoke High School Auditorium
- **MARLBOROUGH**, Wednesday March 1,
Assabet Valley Regional Voc Tech High
School Auditorium

The Next Chapter

The Next Chapter is an award-winning, all-day preretirement planning program for members who are five to 15 years from retirement, but it is also a valuable seminar for any educator working on a retirement plan. This program features professionals who address many retirement issues, including: financial planning; estate

- **SHREWSBURY**, Monday, March 6,
Shrewsbury High School Presentation Room
- **HYANNIS**, Monday, March 6,
Barnstable High School Knight Auditorium
- **PITTSFIELD**, March 7,
Herberg Middle School
- **NEWTON**, Tuesday, March 7,
Newton Oak Hill Middle School
- **WEYMOUTH**, Wednesday, March 8,
Weymouth High School Auditorium
- **STURBRIDGE**, Wednesday, March 8,
Tantasqua Regional High School Auditorium
- **SHREWSBURY**, Monday, March 13,
Shrewsbury High School Presentation Room
- **MEDFORD**, Tuesday, March 14,
Medford McGlynn School Auditorium
- **IPSWICH**, Thursday, March 16,
Ipswich High School Theater

planning; Social Security and Medicare for the Massachusetts educator; transition to retirement; and, your MTRS benefits.

- **BOSTON**, Saturday, May 13,
UMass/Boston, Campus Center Ballroom
- **AMHERST**, Saturday, May 20,
UMass/Amherst, Campus Center Auditorium

Online preregistration is required for ALL programs. To register and obtain more information, members should visit our web site at mass.gov/mtrb and register early, as space is limited.

R E M I N D E R S & U P D A T E S

RetirementPlus APAs most likely not required for members retiring on or after July 1, 2006

Our "submittable" RetirementPlus APA will remain online on our Employer forms page through this retirement season, but you may not need it

As a reminder, if the member's retirement date is July 1, 2006 or after, you probably don't need to submit an APA. If the member has contributed at 11 percent for five full years, then she has met the contribution requirement for RetirementPlus and has NO accelerated cost and does NOT need to complete an APA. If you have a member who does need to make accelerated RetirementPlus payments, however, please be sure to use the APA document that is on our web site, as it is "submittable" online, and we want to receive your data electronically. ■

Employers must make Medicare Part D "Creditable Coverage" disclosure to CMS by March 31, 2006

Original deadline extended from November 15, 2005

Employers that sponsor prescription drug coverage for their employees and/or retirees are required to provide notice to the Centers for Medicare and Medicaid Services (CMS) of whether their drug coverage is as good as or better than the drug coverage provided by the Medicare Part D Prescription Drug Program. Coverage that is as good as or better than Medicare Part D is "creditable" coverage. All other coverage is "non-creditable" coverage.

Employers can access on-line forms and instructions at <http://www.cms.hhs.gov/creditablecoverage>. The information at this site is extensive. For a quick overview, please see the links for "Creditable Coverage Simplified Determination" and "Disclosure to CMS Form." Please note that the disclosure was originally due to CMS by November 15, 2005, but the due date was extended to March 31, 2006. ■

Please forward your collective bargaining agreements

If you've already done so, thank you!

If not, please remember to send us your electronic files

We're happy to report that school districts are responding to our request in August for electronic copies of their collective bargaining agreements, sending them to us via e-mail attachment. As a result, we are expanding our electronic contract archive. Having this information is facilitating retirement processing by eliminating much of the back-and-forth communication with employers.

If you have already sent us your contracts, thank you! If you haven't yet, please do so at your first opportunity. If your district is among those where contracts are currently unsettled and negotiations are in progress, please notify us by e-mail. Please e-mail your contracts to us at empsup@trb.state.ma.us. ■

**Thank you, host districts!**

We are very grateful for your hospitality and your help in making our recent seminars a success!

This past November and December, the MTRS presented ten sessions of our popular retirement planning seminar, *Your MTRS Benefits* across Massachusetts. These sessions attracted 2,000 educators from all around the state and we are most grateful to our host districts:

- | | |
|--------------------|--------------|
| ■ Holyoke | ■ Greenfield |
| ■ Taunton | ■ Pittsfield |
| ■ Dedham | ■ Ipswich |
| ■ Medford | ■ Barnstable |
| ■ Acton-Boxborough | ■ Auburn |

Additionally, we presented five sessions of *Your MTRS Benefits for Vocational/Technical Educators*, a new program developed to respond to the legislation allowing for the purchase of up to three years of vocational experience by educators working in Chapter 74 programs. More than 700 educators attended these sessions and we are very thankful to our hosts:

- Assabet Valley Regional Technical High School
- Tri-County Regional Vocational Technical High School
- Smith Vocational and Agricultural High School
- Shawsheen Valley Technical High School
- Upper Cape Cod Regional Technical High School

We know that many of our members are made aware of these sessions thanks to you, and we sincerely appreciate your ongoing assistance and support. A well-informed membership benefits all of us. If your district is interested in hosting a future seminar, please contact Scott Cauley in our Member Education Department at 617-878-2883. Once again, thank you! ■

The link to our Employer forms web page is now more accessible

Since these forms are generally for gathering data that is later verified by us, we have made them more accessible

Our Employer forms page is now "public;" it is no longer an unlisted, unlinked URL. You can find it by going to our web site at mass.gov.mtrb and clicking on Employers > Employer forms.

We have not changed the URL, so if you've already bookmarked the page, your bookmark will still work. We hope this is helpful to you! ■

Be advised: Extended longevity buyout (ELBO) provisions are subject to a district-by-district review

ELBO update: What employers need to know for the 2006 retirement season

Many school districts in Massachusetts have established extended longevity buyout provisions (ELBOs), also known as “Lexington” plans, in their collective bargaining agreements. ELBOs are temporary, elective enhancements to compensation for educators who attain a minimum service requirement. Most ELBO plans are paid over a three-year period and consist of annual payments ranging from \$4,000 to \$6,000 (although we have seen payments as high as \$14,000/year and as low as \$2,000/year). Typically, ELBOs are tied to the forfeiture of severance payments such as unused sick leave or retirement incentives.

In the process of reviewing contract language for regular compensation determinations during last year’s retirement season, the MTRS analyzed ELBO plans from approximately 100 school districts. The MTRS reviews collective bargaining agreements very closely to determine if the provisions meet the standards set forth in the Lexington case [*Christensen v. CRAB*, 42 Mass. App. Ct. 544 (1997)]. To date, the MTRS has denied ELBO provisions in 54 school districts. The MTRS will continue to scrutinize ELBO provisions in conjunction with processing this year’s retirement applications.

Therefore, we recommend that, if your school district has an ELBO plan and you have educators who are planning to retire this year who have received ELBO

payments, you submit your collective bargaining agreement for review **now** rather than waiting for the MTRS to review your ELBO provision in conjunction with your employees’ retirement applications. Please submit the relevant contractual documents—via e-mail or mail—as described in the box at left.

PLEASE TAKE NOTE—

If your school district has an ELBO plan and you have educators who are planning to retire this year who have received ELBO payments, please **submit your collective bargaining agreement for review NOW, as follows:**

E-mail empsup@trb.state.ma.us;
include **ATTN 2006 ELBO Review** in the subject line

Mail MTRB
ATTN: 2006 ELBO Review
69 Canal Street
Boston, MA 02114-2006

Regulatory and/or legislative activity is on the horizon

The Public Employee Retirement Administration Commission (PERAC), the Commonwealth’s pension regulatory agency, has been actively reviewing this issue and may amend its regular compensation regulation to exclude temporary, elective or ad-hoc payments, such as ELBOs, from pensionable earnings. Alternatively, the Legislature may amend the statutory definition of regular compensation to exclude these temporary payments. The MTRB has filed legislation which would exclude these payments from the definition of regular compensation.

In a unique arrangement for funding public school teacher pension benefits, the Commonwealth, since the inception of the teachers’ retirement system in 1914, has assumed the financial responsibility of the employer costs associated with teacher pension benefits. Although school districts negotiate ELBO benefits with employees, the increased pension costs become the responsibility of the teachers’ retirement system, not the school district. Indeed, certain school district administrators have stated that ELBOs are “the gift that keeps on giving,” referring to the fact that school districts have been able to shift costs to the state by replacing expensive unused sick leave provisions in their collective bargaining agreements with ELBO plans, which cost the district less and provide a state-funded lifetime benefit increase to their employees.

The cost per member that ELBO provisions impose on the retirement system can be illustrated with a conservative, realistic example. Suppose a member, aged 60, retires under RetirementPlus with an ELBO provision that adds \$4,000 per year to his regular compensation. The member’s retirement benefit equals 80 percent of his final three-year average salary. Thus, the ELBO results in an additional \$3,200 annual retirement benefit (80 percent of \$4,000). According to the Commonwealth’s Actuary, the present value cost of this additional benefit can be approximated by multiplying it by a factor of 10. Therefore, the estimated present value cost to the pension system associated with this ELBO—for just one member—is \$32,000. PERAC has estimated that the costs associated with pre-funding ELBOs for the teachers’ retirement system could escalate to \$62 million per year if every school district participated in the program.

We will continue to keep you informed on this issue via our Bulletin and broadcast e-mail. As always, if you have any questions at any time, please contact us. ■

FROM THE EMP SUP@TRB.STATE.MA.US INBOX

Q: If the pay for an employee's additional duties is processed separately from their base earnings—or earned in another district—does it count toward the \$30,000 limit for the additional 2 percent deduction? If so, how do I calculate the additional 2 percent deduction?

Yes, an employee's **total** regular compensation—including base or contractual earnings as well as additional stipends—counts toward the \$30,000 limit, and any amount above \$30,000 is subject to **both** the regular contribution rate **and** the additional 2 percent deduction.

We have found that many school districts process pay and issue checks for additional duties—such as athletic coaching, or additional compensation paid in stipends—separately from their teachers' base or contractual earnings. In most cases, processing supplemental or manual payroll batches is an uncomplicated process for us; however, separate reports for these payments have caused problems for members who are subject to additional withholding on this compensation because they are earning, in total, over \$30,000 per year. Because some districts' vendor payroll processing software is designed to automatically apply this additional deduction only when the amount of pay being calculated exceeds a certain value (in our case, \$30,000 per year), the software does not pick up the stipend amount in the separate file, and, therefore, does not deduct the additional 2 percent on the stipend, even though the **entire** stipend is subject to the additional 2 percent deduction.

Consider the example of Ms. Apple, math teacher and basketball coach (*below*). Ms. Apple earns \$30,000 a year for teaching math, and is paid a stipend of \$3,000 for coaching

basketball. She is paid biweekly (a pay frequency of 26, or 26 equal payments of \$1,153.85 throughout the contract year); for six of these periods, she receives a stipend of \$500 for coaching, and these stipends are processed in supplemental payroll runs.

Regardless of how Ms. Apple's district processes its payroll—using separate reports for stipends or not—the 2 percent deduction should be taken on her earnings over \$1,153.85 each time she is paid.

If your district's payroll software does not account for the earnings over \$30,000, you must manually calculate and include the 2 percent deduction. This also applies if you employ a teacher from another district to coach in your district: If he or she is earning over \$30,000 in his or her teaching job in the other district, you must deduct the additional 2 percent from the entire coaching pay.

Accordingly, please remember to take the additional 2 percent deduction on all earnings paid in a supplemental payroll for all members to which it applies.*

For a detailed explanation of the additional 2 percent deduction, including formulas and the rules for determining when it is applicable, see our *Processing guide* on our web site, at mass.gov/mtrb > Employers > Training and reference materials.

Example: Ms. Apple is subject to the additional 2 percent deduction on all regular compensation earnings over \$30,000, regardless of whether her total compensation is paid by one or more districts. If you process additional payments or stipends in supplemental payroll reports, please remember to consider the employee's **total** compensation when determining his or her 2 percent deduction.

	Base earnings	Additional stipend (in same or another school district)
Contribution rate	7%, plus 2% deduction on earnings over \$30,000/year	
Position	Math teacher	Basketball coach
Earnings	\$30,000/year	\$3,000/year
How paid	26 biweekly equal payments of \$1,153.85 ($\$1,153.85 \times 26 = \$30,000$)	6 separate payments of \$500 each ($\$500 \times 6 = \$3,000$)
Contribution amount due	\$80.77 per pay period ($\$1,153.85 \times 7\% \text{ contribution rate} = \80.77)	\$45 in each of the 6 pay periods when \$500 stipend is paid ($\$500 \times 7\% \text{ contribution rate} = \35), plus ($\$500 \times 2\% \text{ additional deduction} = \10) = \$45
Total contributions/year	The total contributions per year for this member—for all earnings—is \$2,370, as follows:	
	\$2,100 ($\$30,000 \times 7\% \text{ contribution rate} = \$2,100$; also, $\$80.77 \times 26 = \$2,100.02$)	\$270 ($\$3,000 \times 7\% \text{ contribution rate} = \210), plus ($\$3,000 \times 2\% \text{ additional deduction} = \60) = \$270

***Which MTRS members are subject to the additional 2 percent deduction?** Generally, MTRS members who established or reestablished membership on or after January 1, 1979 are required to contribute an additional 2 percent of all earnings over \$30,000 per year. This requirement does **not** apply, however, to members of the MTRS who participate in RetirementPlus. Below is a summary of who is affected:

- ☐ **No** 5% or 11% members are subject to the additional 2 percent;
- ☐ **ALL** 8% and 9% members are subject to the additional 2 percent; and,
- ☐ 7% members who enrolled on or after January 1, 1979 **must** contribute the additional 2 percent.